

Global Coke seeks stake in Int coal blocks : Vivek Ojha



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Global Coke, a Rs 360 crore company is one of transformation. The company over the past few months, have been negotiating with some mine owners for acquiring stakes in international coal blocks. Global Coke procures the best hard coking coals from Australia on a regular basis, and from time to time, it also imports from Russia, Indonesia depending on the quality and cost of the cargo in question.

At the helm of affairs is Vivek Ojha, Vice President of Global Coke, a young dynamic entrepreneur who in an exclusive interview to Sanjay Singh talks about the company's future expansion plans. Excerpts from the interview.

Q1 What reasons you attribute for the volatility in the price of coking coal, which in turn can affect the viability of the steel industry?

Ans : In fact it is a long chain of inter-related actions which attributes to the volatility of coking coal prices in the international market. Limited availability of quality hard coking coal from only a few sources like Australia, Russia, USA, Mozambique, Indonesia (in their order of quality and availability) and its indispensability for producing low ash metallurgical coke

are amongst the primary factors contributing towards a volatile coal market scenario. Moreover, coke is an absolute necessity for the production of steel through the BF route. Hence even the slightest change in each factor in the chain of actions immediately affects the other factors also. Thus volatility in price of coking coal automatically impacts steel prices.

Q2 What long-term plans have Global Coke put in place for securing uninterrupted supply of coking coals as a raw material?

Ans: We have gradually established our credentials amongst the best of international coking coal suppliers through fool-proof honouring of commitments in each of the foreign transactions undertaken by us. This goodwill has helped us in securing long-term commitments from few international suppliers for regular supplies of quality raw material at best of the ruling market prices. Moreover, over the past few months, we have been negotiating with some mine owners for acquiring stakes in international coal blocks. We are conducting due diligence exercise of the available option and hope to reach to a decision in the best interests of the company at the earliest.

Q3 Which are the countries you procure raw materials presently?

Ans: We procure the best hard coking coals from Australia on a regular basis. From time to time we also import from Russia, Indonesia depending on the quality and cost of the cargo in question. We are also exploring options available from USA, Mozambique etc., and may import if we find them suitable.

Q4 Do you have plans to takeover mines in India or abroad?

Ans : As I stated earlier, we are interested in taking over stakes in international coal blocks provided we find it suitable on quality and cost parameters.

Q5 India steel industry is still dependent on import of coking coal. What plans does your company have put in place to cater to the domestic supply?

Ans: As importing quality hard coking coal is the only available option for all coke producers in India, we are no exception. However, with the best of management efforts we ensure uninterrupted supply of imported coal at our plants which enables us to maintain uninterrupted supplies to our customers. We are already catering to our domestic consumers in a big way. When additional plant capacities of 18500 MT/month become fully operative by the end of this quarter, we shall be producing almost 37000 MT coke per month.

Q6 Which are your major customers in



the steel industry?

Ans : Amongst our customers we can boast of number of big corporates located in the west coast of India. We are pleased to state that we have been able to satisfy their quality and delivery parameters such that they have either entered into long-term delivery contracts with us or have been regularly giving us repeat orders. In fact, we feel guilty that our capacities to supply fall far below than the demand from such reputed industrial houses.

Q7 Can you brief on the facilities you have put in place in India?

Ans: We started off in October 2007 with a plant capacity of 12000 MT/month at Jamnagar, Gujarat. During 2009-10 we have built up additional 13000 MT/month capacity at Jamnagar which shall become commercially operative by June 2010. In August 2009, we acquired another plant having 13000 MT/month capacity at Sindhudurg, Maharashtra. After repairs and renovation one section having 6500 MT/month capacity has been operative at Sindhudurg since mid-January 2010

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Interview

and the second section of another 6500 MT/month will also start functioning by May-June 2010. Thus by the end of this quarter, we shall be producing 37000 MT coke per month. In the current fiscal, we shall be constructing at Sindhudurg additional capacities of 13000 MT/month which will make the total plant capacities of the company 50,000 MT/month by April 2011.

Q8 In your opinion is the Government of India policy conducive for mining coking coals in the country or do you feel more needs to be done?

Ans: We operate solely on imported coking coal. Availability of indigenous coking coal of desired quality is very limited. Hence I am not in a position to comment on the government's policies in this matter. Hopefully, the government will make prudent policies conducive to interests of all.

Q9 The Chinese are moving towards controlled export regime for coking coal. In your opinion do you see a shortage of coking coals in future for the Indian steel industry?

Ans: China has stopped exporting coking coal quite a few years ago and Indian coke industry has been managing with imports from Australia, Russia and Indonesia. Previously, unexplored new options are now available like coal from USA, Mozambique, etc. with few improvisations in logistics I am sure all the available options will make up for any deficit created due to China's exit from the international coal market.

Q10 Coking coke prices have seen a rise in the last few months. Do you anticipate the price to rise further?

Ans: Coking coal prices have always been highly volatile. Alternate highs and lows are a common phenomenon of this industry. I expect prices to stabilise sometime at the end of the next quarter.

Q11 In your opinion do you see a monopolistic role of some mine owners who are responsible for hike in the price of coking coals, or do you see supply demand disequilibrium?

Ans : It is the demand-supply disequilibrium which contributes to the volatility of the industry and also enables mine owners to dictate the market equations in a monopolistic



fashion.

Q12 What is the turnover of Global Coke?

Ans: In the last fiscal year 2009-10 we have achieved a turnover of around Rs360 crores (provisional figure), a rise of almost 80 percent in comparison to our previous year's performance.

Q13 Global Coke is planning to come out with an initial public offer (IPO) in the near future. What plans have you put in place for the IPO?

Ans: Our plan to come out with an IPO is solely driven by requirement of the company and our performance i.e. a justifiable purpose for the money to be raised. We shall commence implementation of our 24MW power projects (12MW x 2) at Jamnagar and Sindhudurg as also expansion of coke making capacities at Sindhudurg with our own fund and some bank assistance. Subsequently if our plans for acquiring coal blocks and diversifying into shipping and logistics fall in place, we may think of going in for IPO sometime next year.

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